

Testimony
Of
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Madam Chairwoman, Ranking Member Chabot and members of the Committee, on behalf the National Corn Growers Association (NCGA), I appreciate this opportunity to present our priorities for the 2007 Farm Bill and their potential impact on family owned farms and rural businesses.

My name is Mark Schwiebert, a member of NCGA's Board of Directors. I am from Hamler, Ohio and a partner in a diversified cash grain farm operation that produces corn, soybeans, wheat, popcorn and green beans. In addition, I operate a drainage contracting business and have investments in ethanol plants.

The National Corn Growers Association represents more than 32,000 corn farmers from 48 states. NCGA also represents more than 300,000 farmers who contribute to corn check off programs and 26 affiliated state corn organizations across our country, working together to create new opportunities and markets for corn growers.

America's corn producers continue to make a significant and important contribution to our nation's economy. Last year, the nation's corn production exceeded 10 billion bushels for the fourth consecutive year resulting in a total crop value of \$33.7 billion. The relatively stable production over the past ten years, made possible by innovation in production practices and technological advances, has helped to ensure ample supplies of corn for livestock, an expanding ethanol industry, new bio-based products, and a host of other uses in the corn industry. Moreover, investments by the American taxpayer in our

nation's agriculture programs have helped to produce a more stable financial environment for production agriculture and a brighter future for our rural communities. In our view, reliable, abundant, affordable and safe supplies of grain for the food on our tables to the fuel in our cars are generating benefits many times over for our national economy.

I must emphasize that the farm safety net provided in the current farm bill and its predecessors is considered a critical component of most producers' risk management plans. It is important to note that NCGA has supported the 2002 Farm Bill for the improvements it made to our nation's agricultural policy. In short, the 2002 Farm Bill implemented the right policy for that time.

The development of the 2007 Farm Bill has serious consequences for myself and my farm counterparts nationwide.

Looking forward, though, today's farm safety net is simply not designed to meet our producers' long term risk management needs given the dynamic changes underway in U.S. agriculture. Too many farmers have learned the hard way that today's farm supports may be effective when market prices are low, but when yields are low, the income protection has been less than adequate, especially for large crop losses or repetitive years of shallow losses.

NCGA has developed a proposal to reform our commodity support programs; changes that would help ensure better protection against volatile commodity prices, significant crop losses, and would provide permanent disaster assistance. Earlier this year, our delegates voted in strong support of a "...county based revenue counter cyclical program integrated with federal crop insurance for corn, and potentially other commodities..." Our proposal reflects the view that the time has arrived to adopt fundamental changes in our programs. The Congress has a unique opportunity to consider major reforms at a time when prices are strong for most crops and exports are expected to reach a record \$77 billion in 2007.

NCGA proposes replacing the current price triggered programs with more cost effective risk management tools. Rather than target low prices, the new Revenue Counter Cyclical Program or RCCP would make payments when a county's actual crop revenue is less than the expected revenue. In most years, RCCP payments would be triggered by the same crop losses that lead to the great majority of crop insurance indemnity payments. The RCCP would be integrated with federal crop insurance to minimize overlapping coverage and to ensure a more effective, cost efficient farm safety net. NCGA's proposed changes would provide the economic stability that my off-farm businesses rely on for their future viability.

With insurance companies only paying for losses not covered by the RCCP, the indemnities paid to farmers would be reduced enabling them to provide higher coverage levels of revenue protection at reduced premiums. Another advantage is that the RCCP would provide a standing disaster program by automatically providing payments to

farmers in counties that suffer low crop revenue thus saving almost \$1.8 billion now spent annually on ad-hoc disaster aid. NCGA's proposal, if adopted, would be a positive step toward providing support to farmers when it is most needed.

Rural Development

As important as an adequate safety net is to family farms, NCGA also views commodity support programs to be strongly linked to revitalizing our rural communities. We urge the Congress to carefully evaluate those programs administered by the U.S. Department of Agriculture that are better leveraging our farm support resources that facilitate investments in locally owned agriculture based enterprises. For many years, USDA rural development funds have been made available to rural areas for the purpose of much needed improvements in public infrastructure. Examples include rural development loans, grants and other programs to help finance more affordable housing; community facilities; water and wastewater treatment systems; technical assistance for business development, including in the areas of alternative energy; power generation, transmission, and distribution of electricity; conversion of telephone exchanges into high speed internet services, research to study how agricultural products can be processed and developed for new uses, including the production of alternative energy sources. Some have suggested, though, that these investments to enhance the quality of life in Rural America coupled with the more recent initiatives to bring more jobs to communities can be better described as rural economic development.

The experience of our members indicates programs such as direct value-added producer grants, loan guarantees for renewable fuels projects and investments in rural infrastructure stimulate economic development generating a wide range of benefits for rural areas. If we are to continue the progress in building a more prosperous economy and a better quality of life in rural communities, NCGA believes that the next farm bill can serve as an engine of growth for new businesses. By providing new sources of capital and engaging farmers in value-added processing, production and marketing, the Rural Development Title of the farm bill can enhance farm profitability and the creation of new jobs. Unfortunately, we have seen these cost effective programs and other important rural development initiatives in the 2002 Farm Bill impacted by reduced funding and in a number of cases, no funding at all.

In addition to providing more corn for an increasing and reliable domestic market, many farmers have seized the opportunity to benefit from the value added to their commodity by further processing. Since 2002, NCGA has completed work on two reports on the Future Structure of Agriculture and invested in several studies that examined the value of our farm support programs, the rapid changes impacting the family farm and how corn growers can better capture the benefits of new business opportunities. The following recommendations from these in-depth reports continue to be a focus in our efforts to promote agriculture value added businesses:

- Elevate bio-based research and technology to a national priority
- Remove legal barriers that impede development of farmer-owned brands

- Reform producer-owned business structures to improve tax efficiency, easily raise capital and offer investor liquidity
- Foster and fund value-added education and rural entrepreneurship

One of the most significant success stories for new value-added agriculture business and employment opportunities is the ethanol industry. From a cottage industry that produced 175 million gallons in 1980, the ethanol industry in the United States has expanded to annual capacity of 5 billion gallons in 2006, with more than 1.8 billion gallons coming from farmer-owned plants. Action by the Congress to adopt a renewable fuel standard that requires a minimum 7.5 million gallons of renewable fuels combined with the escalation of oil prices and a series of record corn harvests have further advanced plant investment and development.

For rural America and the U.S. economy, the ethanol industry in 2005 spent almost \$5.1 billion on raw materials, other inputs, goods and services to produce an estimated four billion gallons of ethanol. The lion's share of this spending was for corn and other grains used to make ethanol. In fact, the industry used more than 1.4 billion bushels of corn in 2005, valued at \$2.9 billion. Ethanol production now represents the second largest component of corn demand after feed use and accounted for 18 percent utilization in the 2006 marketing season. According to the Renewable Fuels Association, the remainder of spending by the industry is for inputs such as industrial chemicals; electricity, natural gas, water, labor; and services such as maintenance, insurance and general overhead. Spending for these goods and services represents the purchase of output from small businesses and other industries. There is no question that spending on new plant capacity and operations is changing the economic landscape of many rural communities; supporting the creation of new jobs, generating more household income as well as more tax revenue for government at all levels.

The taxpayer expects producers to deliver a safe, affordable supply of food and fiber. And now we have the opportunity to advance the growth of domestically produced renewable fuels and bio-based products with the help of forward looking farm policy. NCGA also recognizes there are a number of uncertainties that cannot be ignored going into the next farm bill debate, including the ongoing trade negotiations in the World Trade Organization, the threat of more litigation against farm support programs by our trading partners and of course, federal budget constraints. In addition to the proposed reforms of the farm safety net, we support rural development policies that encourage farmers to move toward ownership in higher value markets and greater profits beyond the farm gate. As noted in NCGA's second task force report on grain belt agriculture, "rural incomes and farm communities will benefit if national priorities begin to encourage self-reliance and marketplace solutions." Among the programs available today, NCGA is advocating that Rural Economic Community Development Funds be prioritized towards farmer-owned value-added systems as well as full funding for USDA's Value-Added Producer Grant Program at \$40 million.

Conservation and Stewardship

Another top priority for NCGA is an agriculture policy that recognizes and promotes the best available practices by farmers to further improve our environment. Corn growers are very concerned with the health and well-being of American citizens and are mindful of the need to balance environmental stewardship with the need for a long-term, dependable food supply and necessity for long-term profitability in farming. We support the use of sound science to set environmental policy and the use of voluntary programs to assist farmers in meeting environmental goals.

Advances in corn production technology over the last 70 years have led to a decrease in acres under cultivation and an increase in the number of bushels produced. In 1936, for example, 101,959,000 acres were under cultivation for corn. The average yield in 1936 was 18.6 bushels/acre and a total corn crop of 1,258,673,000 bushels was produced.

Fast forward to 2006 – corn production eclipsed 10 billion bushels for the fourth consecutive year. Last year corn growers produced the second-highest bushel per acre average in history at 149.1 bushels per acre. This was cultivated on 79,366,000 planted acres. To produce an amount of corn equivalent to the 2006 crop using production practices from the 1930s would require 430 million acres – an area slightly larger than the state of Alaska.

However, it's not just about growing more corn; it's about how we grow it. Because American farmers are dependant upon the integrity of their soil and other natural resources for their livelihood, they have worked tirelessly to protect and improve the land. In the case of corn production, farmers understand that satisfying the demands of a growing world population must not come at the expense of ecological health, human safety or economic viability. Accordingly, for decades corn growers have adhered to a principle of continuous improvement and an incessant pursuit of greater efficiency. Corn growers are committed to leaving our environment in better shape than we found it. As a result, significant benefits to society have been achieved by modern agriculture and improvements in production efficiency will continue to lessen the environmental impacts of food production.

We are making important environmental gains through the use of farm bill conservation programs – reduced soil erosion, improved water quality and increased wildlife habitat. To continue this trend, we need even greater emphasis on working lands conservation programs. We believe the conservation title of the farm bill should adhere to the following criteria:

- Adequate funding
- Environmentally sound based on sound-science
- Implemented nationally at the watershed level
- Performance driven
- Simplified and streamlined to encourage more participation
- Target programs and funding to achieve greatest environmental savings

Farmers are making important environmental gains through the use of farm bill conservation programs – we see that in reduced soil erosion, improved water quality, and increased wildlife habitat. Likewise, we support efforts to measure the real results of the conservation practices we've implemented. We applaud the collaborative work thus far on the Conservation Effects Assessment Project (CEAP) to scientifically assess the environmental outcomes from farm bill conservation programs and determine benefits from conservation practices and programs. The ability to develop understandable and relevant performance measures and communicate them to the public will help shape future public and congressional support for farm programs.

Madam Chairwoman, NCGA greatly appreciates the interest you and your Committee have expressed in supporting small businesses and the family farmers that are working to revitalize our rural communities. I thank you again for this opportunity to discuss our goals and priorities.